

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

CONTRA PIRACY

Plaintiff,

No. C-13-01133 EDL

v.

ORDER OF DISMISSAL

DOES 1-2919

Defendants.

This is a BitTorrent copyright infringement case. Due to allegations in the Complaint that Plaintiff held only “enforcement rights” in the work at issue, the Court ordered Plaintiff to show cause why this action should not be dismissed for lack of subject matter jurisdiction. Plaintiff responded to the Order to Show Cause, and the Court held oral argument. For the reasons set forth below, the Court finds that Plaintiff holds only a “bare right to sue” for copyright infringement, which is insufficient to confer standing. Consequently, the Court dismisses this case with prejudice for lack of subject matter jurisdiction.

I. Background

Plaintiff Contra Piracy is a Swiss association founded in 2009 to protect the intellectual property rights of its members. (Contra Piracy Agreement at 7¹, Dkt. 11; Supp. Schneider Decl. ¶ 4, Dkt. 12.) To take advantage of Plaintiff’s services, one must become a member of Plaintiff and join its “Intellectual Property Rights Management Scheme” (“RMS”). Under the RMS, Plaintiff asserts the legal rights of its members. (Contra Piracy Agreement at 13.) Members facilitate Plaintiff’s activities by assigning it intellectual property rights and a “a comprehensive and revocable power of authorization in order to perform its tasks.” (*Id.* at 14.) When Plaintiff is enforcing a member’s

¹ Because the document Plaintiff provided the Court appears to be a combination of several related documents, each with separate pagination, the Court will refer to the page number generated by the Court’s ECF system, which is located at the top of each page.

rights, the member is prohibited from asserting those rights. (*Id.* at 13.) Plaintiff splits the “income” generated by enforcing a member’s rights with the member. (*Id.* at 14.) This “income” is defined as “the sum paid in favor of the respective member from an out-of-court settlement with the alleged infringer.” (*Id.*) The rights and responsibilities of Plaintiff and its members are set forth in a document with the heading “Statutes,” which the Court refers to as the “Contra Piracy Agreement.”

Hannibal Pictures Inc. d/b/a Hannibal Pictures is the owner of the copyright in the film “All Things Fall Apart” (“the work”). (Schneider Decl. ¶ 7, Dkt. 9-1.) On November 13, 2012, Hannibal Pictures applied for membership in Plaintiff and to join the RMS. (Contra Piracy Agreement at 1-5.) Hannibal Pictures and Plaintiff also entered into a “Limited, Exclusive Assignment of Copyright Agreement” (“Assignment Agreement”) regarding, among other things, he work at issue in this case.² (Assignment Agreement, Dkt. 9, Ex. A.) Hannibal Pictures assigned Plaintiff “the exclusive rights to copy and distribute the copyrighted Work or Works listed in Appendix 1 in the listed territories over internet-based peer-to-per BitTorrent networks.” (*Id.*) Hannibal Pictures further assigned Plaintiff the right to enforce the copyright in the works that were assigned. (*Id.*) The purpose of these assignments was to allow Plaintiff to enforce Hannibal Pictures’ intellectual property rights. (Assignment Agreement (“[T]he parties agree that an assignment of exclusive rights in copyrights held by Assignor to Contra Piracy is necessary for Contra Piracy to provide intellectual property rights management services to Assignor . . .”).)

Three days after the assignment agreement was executed, Plaintiff began identifying the Internet Protocol addresses of those using the peer-to-peer BitTorrent protocol to download copies of the work. (Compl. ¶¶ 7-8, Dkt. 1.) Plaintiff identified 2,919 IP addresses in the United States associated with unauthorized distribution and copying of the work. (Compl. ¶¶ 7-8.) On March 3, 2013, Plaintiff brought a defendant class action against 2,919 Doe Defendants for copyright infringement.

Soon after filing the Complaint, Plaintiff filed an ex parte application for leave to take limited discovery to uncover Defendants’ identities. (Dkt. 6.) Plaintiff sought an order permitting it to subpoena sixty-one Internet Service Providers (“ISPs”) to obtain the names, addresses, telephone

² “All things Fall Apart,” also known as “Things Fall Apart,” was listed in an appendix to the Assignment Agreement.

1 numbers, and email addresses associated with the 2,919 IP addresses it identified. (Dkt. 6 at 12.)
 2 The Court denied Plaintiff's ex parte motion for early discovery due to serious questions regarding
 3 Plaintiff's standing to sue for copyright infringement, and the Court ordered Plaintiff to show cause
 4 why the case should not be dismissed. (Dkt. 8.)

5 Plaintiff responded to the order to show cause and provided the Court with copies of the
 6 Contra Piracy Agreement, the Assignment Agreement, and several declarations. The Court held a
 7 hearing on the Order to Show Cause on June 27, 2013. Due the procedural posture of the case, the
 8 hearing was ex parte and Plaintiff appeared through its counsel, Boden Davidson.

9 **II. Discussion**

10 1. Legal Standard

11 "Federal courts are required sua sponte to examine jurisdictional issues such as standing."
 12 Bernhardt v. Cnty of Los Angeles, 279 F.3d 862, (9th Cir. 2002); Fed. R. Civ. P. 12(h)(3) ("If the
 13 court determines at any time that it lacks subject-matter jurisdiction, the court must dismiss the
 14 action.") As the party invoking federal jurisdiction, Plaintiff bears the burden of establishing the
 15 elements of standing. Lujan v. Defenders of Wildlife, 504 U.S. 555, 561 (1992) (addressing
 16 constitutional standing).

17 "To be entitled to sue for copyright infringement, the plaintiff must be the 'legal or
 18 beneficial owner of an exclusive right under a copyright.'" Silvers v. Sony Pictures Entertainment,
 19 Inc., 402 F.3d 881, 884 (9th Cir. 2005) (citing 17 U.S.C. § 501(b)); Righthaven LLC v. Hoehn, 716
 20 F.3d 1166, 1169 (9th Cir. 2013). These exclusive rights are defined in 17 U.S.C. § 106 and include,
 21 for example, the rights to reproduce and distribute a copyrighted work. The owner of an exclusive
 22 right only has standing to sue for the infringement of the particular right he owns. 17 U.S.C. §
 23 501(b). The right to sue for copyright infringement itself is not an exclusive right under § 106, and
 24 thus the assignment of such a right without the transfer of an associated exclusive right does not
 25 confer standing to sue. Silvers, 402 F.3d at 884, 890.

26 In the Ninth Circuit, "[w]hen determining whether a contract has transferred exclusive
 27 rights," courts "look not just at the labels parties use but also at the substance and effect of the
 28 contract." Righthaven, 716 F.3d at 1169-70. If the "substance and effect of the contract"
 demonstrate that a plaintiff has only "the bare right to sue," the plaintiff lacks standing. Id. at 1170.

1 In making this determination, courts look at what was actually assigned, the purpose of the
 2 agreement, and the extent to which the right to exploit is limited. Id. at 1168-70; Minden Pictures,
 3 Inc. v. Pearson Education, Inc., Case No. 11-5385 WHA, 2013 U.S. Dist. LEXIS 31047, at *15-*16
 4 (N.D. Cal. Mar. 5, 2013) (finding no standing where assignment was a “disguised assignment of a
 5 cause of action,” the sole purpose of which was to allow plaintiff to “bring suit and divvy up any
 6 returns”); Nafal v. Carter, 540 F. Supp. 2d 1128, 1133, 1143-44.(C.D. Cal. 2007). Courts also
 7 consider whether the assignment lacks terms one would expect to see if the agreement actually
 8 assigned exclusive rights. Minden, 2013 U.S. Dist. LEXIS 31047 at *16 (“Beyond the express
 9 terms, the parties’ intent is also evident from what is missing from the agreement: a term specifying
 10 the duration of the license.”).

11 2. Analysis

12 Plaintiff argues that it has standing because it holds the rights to make copies and distribute
 13 the copyrighted work over the peer-to-peer BitTorrent protocol. According to Plaintiff, these rights
 14 are exclusive rights under 17 U.S.C. § 106. Plaintiff asserts that it is not unusual for assignments to
 15 be limited to a particular geographical area or medium, and that the BitTorrent protocol is a primary
 16 medium through which copyrighted works may be distributed over the Internet.

17 Plaintiff employs a creative variation on the enforcement model that failed for lack of
 18 standing in prior cases such as Righthaven, 716 F.3d at 1172, as well as substituting a putative
 19 defendant class for the unsuccessful attempts to use joinder in prior BitTorrent cases such as First
 20 Time Videos LLC v. Does 1-294, Case No. 11-02916 EDL, 2011 U.S. Dist. LEXIS 104490 (N.D.
 21 Cal. Sept. 15, 2011). However, beneath the new labels lies the same thinly “disguised assignment
 22 of a cause of action” for the sole purpose of “bring[ing] suit and divvy[ing] up” proceeds from
 23 settlements. Minden, 2013 U.S. Dist. LEXIS 31047 at *14-*15, *16.

24 Plaintiff was assigned: (1) the right to enforce the copyright in the work; and (2) the right,
 25 which appears to be revocable (“revocable power of authorization”), to copy and distribute the work
 26 over peer-to-peer BitTorrent networks “in order to perform its tasks,” which tasks are exclusively
 27 enforcing the copyright to obtain income from out-of-court settlements to split with the copyright
 28 holder. The first, of course, does not confer standing. Silvers, 402 F.3d at 884, 890. The second
 are exclusive rights in name only. In response to the Court’s further order requiring Plaintiff to file

1 an additional declaration addressing the extent of commercial use of the P2P/BitTorrent protocol for
2 distribution of copyrighted works, filed June 21, 2013, Plaintiff's employee acknowledged that there
3 is little to none and did not claim that Plaintiff engaged in any such commercial use. (Supp.
4 Schneider Decl. ¶ 6 (stating that "it is exceedingly difficult to create a legitimate P2P/BitTorrent
5 market in light of the overwhelming infringements utilizing the protocol" and that "the extent of
6 legitimate commercial distribution via P2P/BitTorrent in a market sense is severely limited").
7 Plaintiff's counsel further confirmed that this was the case at the hearing. Moreover, these purported
8 rights appear to be revocable, as the Contra Piracy Agreement refers to a "revocable" power of
9 authorization, which Plaintiff's counsel could not explain at the hearing. Accordingly, the
10 "exclusive rights" assigned to Plaintiff are illusory.

11 Additionally, the purpose of the assignment was to give Plaintiff the ability to sue for
12 copyright infringement and obtain out-of-court settlements as revenue to split with copyright holder
13 members. The Assignment Agreement confirms that its purpose is to allow Plaintiff to provide
14 "intellectual property rights management services." The Contra Piracy Agreement provides that
15 these services consist of Plaintiff asserting the legal rights and claims of members. Plaintiff
16 acknowledges that it is in the business of providing counter-piracy services to copyright owners by
17 accepting assignments of copyrights and suing to enforce these copyrights. (Compl. ¶ 6.)

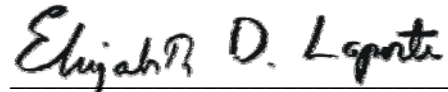
18 As in Minden, the Assignment Agreement and Contra Piracy Agreement are silent as to a
19 number of things one would expect to see in an assignment of exclusive rights. The agreements say
20 nothing about the duration of the assignment. Plaintiff's counsel stated that he assumes that
21 Hannibal Pictures could revoke the assignment if Hannibal Pictures withdrew its membership in
22 Plaintiff. The agreements say nothing about whether the assignment could be sublicensed.
23 Plaintiff's counsel stated that he assumes Plaintiff could sublicense its rights. The agreements say
24 nothing about royalties if Plaintiff were to exploit its rights to distribute or copy the work over a
25 BitTorrent network. Plaintiff stated that he assumes any royalties would be split. The only split
26 discussed in the Contra Piracy Agreement, however, is how the Plaintiff and its members will divide
27 proceeds of settlements with alleged infringers. (Contra Piracy Agreement at 14.) That the only
28 monetary division discussed in the agreements involves settlement proceeds is further evidence that
the purpose of the assignment was to give Plaintiff the ability to sue. Finally, the agreements are

1 noticeably devoid of any provision for the disposition of any revenues that could be obtained from
2 verdicts or court orders of fees or costs upon success in court, suggesting a business model of using
3 the information obtained from early discovery into the identities of individual defendants to
4 negotiate quick settlements under the threat of embarrassing and expensive litigation without
5 actually litigating claims on their merits.

6 **III. Conclusion**

7 The stated purpose of the assignment, the lack of indicia that it was a legitimate assignment
8 of exclusive rights, and the admittedly negligible value, if any, of the rights assigned (other than to
9 obtain revenue through out-of-court settlements) convince the Court that in reality Plaintiff only
10 holds the bare right to sue for copyright infringement. Thus, Plaintiff lacks standing under 29
11 U.S.C. § 501(b). The case is dismissed with prejudice.

12
13 Dated: July 23, 2013



ELIZABETH D. LAPORTE
United States Chief Magistrate Judge